

CHAIRMAN'S STATEMENT

主席報告

ANNUAL RESULTS

The Group's turnover for the year ended 31st August, 2002 was approximately HK\$4,908,172,000, representing an increase of 9.19% over last year. The Group's profit for the year was approximately HK\$271,366,000, representing an increase of 34.72% over last year. The profit margin for the year improved from last year's 4.48% to 5.53%, representing an increase of 23.44%.

As a result of the fall in borrowing level and interest rates, the Group's finance cost was reduced by approximately HK\$61,543,000 as compared with that of last year. In addition, the Group has adopted Statement of Standard Accounting Practice No. 31 "Impairment of assets" ("SSAP31") for the first time during the year under review. Therefore, the Group has made provisions for impairment losses of approximately HK\$102,079,000 and HK\$26,850,000 in respect of certain leasehold properties situated in Hong Kong and interests in jointly controlled entities, respectively. Of which, approximately HK\$87,628,000 was charged to the asset revaluation reserve, and the balance of approximately HK\$41,301,000 was charged to the consolidated income statement. Without taking these impairment losses into account, the Group's profit would be approximately HK\$312,667,000, representing an increase of 55.23% over last year.

BUSINESS REVIEW

Production and sales of dyed fabrics, sewing threads and yarns
The turnover from the production and sales of dyed fabrics, sewing threads and yarns increased by 10.41%, and accounted for 95.14% of the total turnover, representing an increase of 1.05% over last year. Contribution to operating results increased from approximately HK\$346,875,000 to approximately HK\$448,902,000, and percentage of contribution to operating results to turnover increased from 8.20% to 9.61%.

全年業績

本集團截至二零零二年八月三十一日止年度之營業額約為4,908,172,000港元，與去年比較，上升9.19%。而本年度盈利約為271,366,000港元，與去年比較，上升34.72%。本年度的盈利率亦由去年的4.48%改善至5.53%，增長達23.44%。

集團之借貸成本因借貸水平下降及利率下調而比去年減少了約61,543,000港元。此外，集團於回顧年度內首次採納新的會計實務準則第31條「資產減值」（「SSAP31」），因此本集團已對部份在香港按租賃持有之物業及應佔共同控制機構權益分別作出約102,079,000港元及約26,850,000港元的減值損失準備。其中約87,628,000港元已在資產重估儲備中扣除，而餘下約41,301,000港元則已在綜合收益賬內扣減。若撇除此等減值損失，集團的盈利應約為312,667,000港元，較去年上升55.23%。

業務回顧

製造及銷售色布、縫紉線及紗
製造及銷售色布、縫紉線及紗的營業額增加10.41%，佔營業總額95.14%，比去年上升1.05%。營運業績貢獻則由約346,875,000港元上升至約448,902,000港元，營運業績貢獻率由8.20%上升至9.61%。

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During the first half of the year under review, turnover only increased slightly by approximately 2.34% due to global economic downturn and the "9.11" incident. Although the US economy continued to be weak and the operating environment remained difficult, the Group's turnover increased by 17.54% and operating results showed significant improvement in the second half of the year under review. It was attributable to the various aggressive measures adopted by the Group to enhance its adaptability and competitiveness upon globalisation of the world's economy. These measures include:

1. To conduct marketing activities and deploy resources in a strategic manner in order to cope with the market development. Subsidiaries or representative offices were set up in Singapore, Shanghai, Seoul and New York so as to continuously explore new markets, enlarge our customer base and be closer to the customers for providing quality service promptly.
2. To purchase advanced production equipment so as to increase productivity, reduce production cost and attain a new level of economies of scale.
3. To upgrade steam and electricity generation facilities. With the commencement of the operation of the two steam and electricity co-generation facilities, energy costs was reduced substantially while further complying with the environmental protection requirements.
4. To save finance cost by imposing strict control on borrowing ratio, gradually reducing borrowings level and negotiating lower interest rates with banks.
5. To strategically implement ISO Quality Management System, by maintaining a simple operating and management structure, and streamlining procedures so as to improve operation efficiency.

在回顧年度的上半年，由於全球整體經濟放緩及受「九一一」事件之影響，營業額只能輕微上升約2.34%。而在回顧年度的下半年，雖然美國經濟持續疲弱及經營環境仍然困難，但憑藉集團採取多項積極進取措施，以增強集團面對全球一體化之適應能力及競爭力，下半年的營業額上升了17.54%，而營運業績亦得到顯著的改善。有關措施包括：

1. 進行市場推廣及策略性部署以配合市場發展。在新加坡、上海、漢城及紐約等地設立子公司或代表處，以不斷擴展新市場、擴大客戶基礎及拉近與客戶間的距離，務求提供貼身的優質服務。
2. 購買先進生產設備，以增加生產力、減低生產成本及達至新的規模效益。
3. 更新熱電設備。兩項「熱電聯產」設施已投入服務，大幅降低能源費用及進一步配合環保要求。
4. 嚴格控制借貸比例，逐步減低借貸及與銀行商討減低借貸利息，以節省財務費用。
5. 策略性實行ISO品質管理制度，保持精簡的營運架構及管理，簡化流程，令經營效率得以改善。

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6. To place emphasis on the research and development of new products, and to provide diversified products to customers.

Production and sales of garments

The turnover of the production and sales of garments decreased by 10.30%, accounting for 4.86% of the total turnover. Contribution to operating results became negative, with a loss for the whole year amounted to approximately HK\$8,778,000. During the year under review, the performance of the Group's garment business was significantly affected by the fall in market prices. Global economic downturn, together with the abolishment of the export quota for infant wear to major markets such as Europe and the US following the accession of the PRC into the WTO, led to further reduction in product prices of this category. The competitiveness of the Group's infant wear manufactured in Indonesia was therefore reduced accordingly. On the other hand, the Group's garment factory in Dongguan, the PRC was still in the preliminary stage. Thus, the results from the production and sales of garments during the year under review was less than satisfactory.

In order to strengthen the management and support to its garment business, the Group acquired the remaining 30% shareholding in K.L.W. Limited, which was held by the former director, Ms. Liou Wen Hwa, Cecilia, in mid-2002. Restructuring of its garment business has begun and more resources are being devoted to developing new markets and expanding customer base. Apart from improving the production efficiency and costs of the operation in Indonesia, the Group is also enhancing its productivity in the PRC, so as to improve its competitiveness in the garment market, with particular emphasis in infant wear. The operation of garment business is gradually running more smoothly and is expected to provide positive contribution to the Group in the coming year.

6. 注重研究及開發新產品，為客戶提供更多元化的產品。

製造及銷售成衣

製造及銷售成衣的營業額下跌10.30%，佔營業總額4.86%。營運業績貢獻由盈轉虧，全年虧損約為8,778,000港元。集團在回顧年度的成衣業務表現因市場價格下降而受到極大影響。全球經濟放緩，加上中國加入世界貿易組織而取消輸往歐美等主要市場的嬰兒服裝配額，引致此類產品價格進一步下調。因此，集團在印尼生產嬰兒服裝的競爭力相對下降。另一方面，集團在中國東莞之製衣廠仍在起步階段中，故回顧年度之製造及銷售成衣業績並不理想。

集團為了加強對成衣業務的管理及支持，在2002年中收購前董事劉文華小姐所持有金漣威(香港)有限公司餘下30%之股權，並開始重整成衣業務的架構，投入更多資源以發展新市場及擴大客戶基礎。在積極改善印尼的生產效率及成本的同時，亦加強國內的生產力，以提高集團在成衣市場(特別是嬰兒服裝)的競爭力。現時成衣業務之運作已日漸暢順，預期來年應可對集團作出正面的貢獻。

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OUTLOOK

The prospects of the global economy remains unclear, together with intense competitions, the global textile industry faces with unprecedented challenges. However, the Group continues focusing on the textiles business and being aware of and understand its own market positioning while increasing the diversification in its products. With competitiveness in terms of pricing, product quality and timely delivery, the Group can attain steady growth in its operations. Recently, the Group has been elected by the Forbes Global Magazine in 2002 as one of the 200 best small listed enterprises in the world with revenue under US\$1 Billion. This validates the international recognition on the results of the Group's efforts. Nevertheless, the Group will not cease to move ahead, and will continue to improve production processes so as to enhance operating efficiency and control production costs, thereby further strengthening the competitiveness and improving the profit margins of the Group.

Following the accession of the PRC into the WTO and Beijing being awarded to host the 2008 Olympic Games, the economic growth in the PRC will bring enormous business opportunities to the textile industry. With the gradual enhancement in the living standards in the PRC, demands for high-end textile products will be ever-growing. The management is confident that the factory in Jiangyin, Jiangsu Province will be beneficial for the Group's expansion into the PRC market. The plant, which is expected to commence operation by mid-2003, will increase output and production efficiency of the Group.

FINANCIAL REVIEW

Liquidity and Financial Information

At 31st August, 2002, the Group's total assets amounted to approximately HK\$4,520,839,000. The shareholders' funds and minority interests totalled approximately HK\$2,612,537,000.

展望

當前全球經濟前景並不明朗，加上競爭激烈，為全球紡織業帶來前所未有的挑戰。但本集團一向專注於紡織行業的業務，明白及了解自己在市場上的定位及產品日趨多元化。且在價格、產品質素及按時付運方面具備競爭力，故集團的業務可以穩步發展。最近，集團被福布斯 (Forbes Global) 雜誌選為2002年全球二百間上市公司收入少於十億美元的最佳小型企業之一，肯定了國際對集團努力成果的認同。但集團不會因此而自滿，將會繼續改善生產流程，以提高營運效率和控制生產成本，藉此進一步加強本集團的競爭力及改善邊際利潤。

隨着中國加入世界貿易組織及中國北京成功申辦二零零八年奧運會，其經濟增長將為紡織業帶來無限商機。國內生活水平日漸提高，對高檔紡織品需求更殷。管理層深信設在江蘇省江陰市之廠房有利於本集團擴展中國市場。該廠房預期在二零零三年中啟用，將會提高集團之產量及生產效率。

財務回顧

流動資金及財務資料

於二零零二年八月三十一日，本集團資產總值約為4,520,839,000港元，而股東基金及少數股東權益合計約為2,612,537,000港元。

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During the year under review, the Group entered into three five-year unsecured loan agreements totalling HK\$350,000,000 with three principal banks for financing the investment in Jiangyin Fuhui Textiles Limited and for the working capital of the Group. Those loans have not been drawn at 31st August, 2002.

The operation of the Group is sound and the turnover period for the trade receivable remained at 64 days while the turnover period for the inventory was within 75 days. At 31st August, 2002, the total amount of short-term bank deposits, bank balances and cash of the Group was approximately HK\$406,595,000, representing an increase of approximately HK\$122,288,000 over last year.

The Group regularly reviews its liquidity and liabilities, so as to maintain the borrowings ratio at a healthy level. As a result of the adoption of the SSAP 31, the asset revaluation reserve of the Group was reduced by approximately HK\$87,628,000 which has an impact on the financial ratios (after inclusion of proposed dividends) of the Group as follows:

Gearing ratio	資本負債比率
Bank borrowings ratio	銀行借貸比率
Net bank borrowings ratio	銀行借貸淨值比率

The sales of the Group are mainly denominated in Hong Kong dollars and US dollars and the purchase of raw materials is mainly made in Hong Kong dollars, US dollars and Renminbi. Bank borrowings are also denominated in Hong Kong dollars and US dollars and interests are charged on a floating rate basis. Hence, the Group's exposure to foreign exchange risk is minimal.

於回顧年度內，本集團與三間主要銀行分別簽訂三項五年期合共三億五千萬港元之無抵押借款協議，以發展江陰福滙紡織有限公司之投資項目及作為集團的營運資金。於二零零二年八月三十一日，上述三項貸款尚未提取。

集團之營運情況良好，應收賬的週轉期維持在64天，而存貨的週轉期則在75天內。於二零零二年八月三十一日，本集團之短期銀行存款、銀行結存及現金總額約為406,595,000港元，較去年增加約122,288,000港元。

本集團對流動資金及負債情況定期作出檢討，致力維持借貸比率在一個健康的水平。而由於採納SSAP31，集團之資產重估儲備減少了約87,628,000港元，對集團以下財務比率（已包括擬派之股息在內）有所影響：

At 31st August, 2002 於二零零二年 八月三十一日	At 31st August, 2001 於二零零一年 八月三十一日
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0.95	0.91
0.60	0.62
0.43	0.50

本集團之銷售以港元及美元為主，原料採購則以港元、美元及人民幣為主。銀行借貸亦以港元及美元為單位，利息主要以浮動利率計算，故集團所承受之外匯風險非常輕微。

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Capital Expenditure

For the year ended 31st August, 2002, the Group invested approximately HK\$269,968,000 (2001: HK\$204,819,000) in the addition of property, plant and equipment of which two steam and electricity co-generation facilities and advanced production equipment were included.

Ocean Yarn Dyeing Factory Limited, a wholly owned subsidiary of the Company, entered into an agreement on 28th February, 2002 to establish a wholly owned knitting and dyeing factory, Jiangyin Fuhui Textiles Limited, in Jiangyin, Jiangsu Province, the PRC, for the long term development of the Group and the creation of room for further expansion. The project will proceed in phases in accordance with the actual market environment over the next five years. The total investment amount for the project will be US\$125 million, including the total registered capital of US\$42 million. It is expected that the capital expenditure of the Group for the next financial year will be approximately HK\$500 million of which the capital expenditure in respect of the Jiangyin Fuhui's project is approximately HK\$300 million, and the capital expenditure in respect of maintenance and replacement of machinery in existing factories and the additions of advanced production equipment is approximately HK\$200 million.

Pledge of Assets

At 31st August, 2002, properties and plant and machinery with an aggregate carrying value of approximately HK\$490,967,000 (2001: HK\$575,620,000) were pledged to various banks for loan facilities granted to the Group.

Contingent Liabilities

At 31st August, 2002, the Group had contingent liabilities amounting to approximately HK\$79,139,000 (2001: HK\$62,579,000) in respect of discounted bills with recourse and invoices factored with recourse.

資本開支

截至二零零二年八月三十一日止年度，本集團投資約269,968,000港元(二零零一年度：204,819,000港元)以增添物業、機器及設備。其中包括兩項「熱電聯產」工程及先進的生產設備。

為了部署長遠發展策略及積極開拓新的發展空間，本集團之全資附屬公司海洋染紗廠有限公司已於二零零二年二月二十八日簽訂協議書，於中國江蘇省江陰市成立一間全資針織漂染廠「江陰福滙紡織有限公司」。該項目將在未來五年按市場實際環境及需要分階段進行，總投資額為一億二千五百萬美元，其中總註冊資本為四千二百萬美元。該項目之基建工程已經展開，並預計在二零零三年中可投入生產。本集團估計下一個財政年度的資本開支約為五億港元，當中用於江陰福滙項目的資本開支約為三億港元，而用於現有廠房之機器維修和更換及增添先進生產設備的資本開支則約為二億港元。

資產抵押

於二零零二年八月三十一日本集團已抵押予多間銀行作為該等銀行給予本集團借款之物業和廠房機器賬面總值約為490,967,000港元(二零零一年度：575,620,000港元)。

或然負債

於二零零二年八月三十一日，本集團有關附追索權之出口貼現票據及附追索權之發票讓售之或然負債約為79,139,000港元(二零零一年度：62,579,000港元)。

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EMPLOYEES AND EMOLUMENT POLICIES

At 31st August, 2002, the Group had approximately 14,800 full time employees.

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in the various regions, and will be reviewed regularly every year. Subject to the Group's profitability, the Group may also provide discretionary bonus to its employees as an incentive for their contribution to the Group.

The Group has established a share option scheme for its employees, and also provides regular training courses and subsidies for continuing education so as to improve the skills of its employees with respect to production, selling and management. In the year under review, the Group recruited over 100 post-secondary and university graduates in Hong Kong, the PRC and overseas to join various divisions.

DIVIDENDS

The Board recommends the payment of a final dividend of HK11.0 cents per share for the year ended 31st August, 2002 payable to shareholders whose names appear on the register of the members on 23rd January, 2003. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the total annual dividend for the year will be HK17.0 cents, representing an increase of 70% over last year.

ACKNOWLEDGEMENT

Finally, on behalf of the Board of Directors, I would like to express my sincerest gratitude to the incessant efforts made by our staff and to all the associates who have always been supporting the Group.

On behalf of the Board

HA Chung Fong

Chairman

Hong Kong

12th December, 2002

僱員及酬金政策

本集團於二零零二年八月三十一日之全職僱員人數約為14,800人。

本集團的僱員酬金政策是根據僱員工作表現及各地區薪酬趨勢而每年定期作出檢討。本集團亦會因應集團之盈利情況酌情分發花紅予僱員以鼓勵他們對集團之貢獻。

本集團設有一項僱員認股權計劃，亦為僱員提供在職培訓課程及資助進修計劃，以提高僱員之生產、銷售及管理技能。在回顧年度內，集團在香港、國內及海外招聘超過100名大專／大學畢業生加入不同部門工作。

股息

董事會建議派發截至二零零二年八月三十一日止年度末期股息每股11.0港仙予於二零零三年一月二十三日名列在股東名冊內之股東，倘此建議獲即將舉行之股東週年大會通過，全年派息合共為17.0港仙，與去年比較，全年派息上升70%。

致謝

最後，本人謹代表董事會對努力不懈的僱員及一直以來支持本集團的友好人仕致以衷心謝意。

代董事會

主席

夏松芳

香港

二零零二年十二月十二日

Fountain Set (Holdings) Limited